

ROCKLAND TOWNSHIP
ONTONAGON COUNTY, MICHIGAN
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

March 31, 2008

ROCKLAND TOWNSHIP

MARCH 31, 2008

ELECTED OFFICIALS

Supervisor	Roger Haapala, Jr.
Clerk	Peggy Killoran
Treasurer	Sue Preiss
Trustee	Dave Roberts
Trustee	Charles Pantti

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Bruce A Rukkila, CPA, PC



310 Shelden Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Rockland Township
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockland Township as of and for the year then ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockland Township as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2008 on our consideration of Rockland Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rockland Township has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rockland Township's basic financial statements. The additional information on pages 27 to 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

September 25, 2008

ROCKLAND TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 299,981	\$ 167,712	\$ 467,693
Receivables	4,914	13,981	18,895
Internal balances	16,492	(16,492)	-
TOTAL CURRENT ASSETS	321,387	165,201	486,588
NONCURRENT ASSETS:			
Restricted cash	-	36,016	36,016
Capital assets	652,508	2,509,942	3,162,450
Less: accumulated depreciation	(346,944)	(871,977)	(1,218,921)
TOTAL NONCURRENT ASSETS	305,564	1,673,981	1,979,545
TOTAL ASSETS	\$ 626,951	\$ 1,839,182	\$ 2,466,133
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 1,102	\$ 370	\$ 1,472
Bonds payable, current maturities	-	11,000	11,000
TOTAL CURRENT LIABILITIES	1,102	11,370	12,472
NONCURRENT LIABILITIES:			
Bonds payable, less current maturities	-	564,000	564,000
TOTAL NONCURRENT LIABILITIES	-	564,000	564,000
TOTAL LIABILITIES	1,102	575,370	576,472
NET ASSETS:			
Invested in capital assets, net of related debt	305,564	(31,650)	273,914
Contributed capital	-	1,105,615	1,105,615
Restricted for debt service	-	36,016	36,016
Unreserved	320,285	153,831	474,116
TOTAL NET ASSETS	625,849	1,263,812	1,889,661
TOTAL LIABILITIES AND NET ASSETS	\$ 626,951	\$ 1,839,182	\$ 2,466,133

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
STATEMENT OF ACTIVITIES
March 31, 2008

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Government activities:						
General government	\$ 36,323	\$ -	\$ -	(36,323)	\$ -	(36,323)
Public safety	31,966	-	-	(31,966)	-	(31,966)
Public works	44,703	-	22,100	(22,603)	-	(22,603)
Recreation and culture	21,632	110	-	(21,522)	-	(21,522)
Other	20,751	-	-	(20,751)	-	(20,751)
Total governmental activities	155,375	110	22,100	(133,165)	-	133,165
Business-type activities:						
Water	53,665	41,311	-	-	(12,354)	(12,354)
Sewer	17,671	18,574	-	-	903	903
Total business-type activities	71,336	59,885	-	-	(11,451)	(11,451)
Total primary government	226,711	59,995	22,100	(133,165)	(11,451)	(144,616)
General Revenues:						
Property taxes, levied for general operations				103,386	-	103,386
State shared revenue				23,656	-	23,656
Interest earnings				9,282	7,909	17,191
Other				7,995	-	7,995
Total general revenues, transfers, and special items				144,319	7,909	152,228
Change in Net Assets				11,154	(3,542)	7,612
Net Assets - Beginning				614,695	1,267,354	1,882,049
Net Assets - Ending				\$ 625,849	\$ 1,263,812	\$ 1,889,661

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2008

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 199,835	\$ 100,146	\$ 299,981
Taxes receivable	3,926	988	4,914
Due from other funds	27,948	1,069	29,017
TOTAL CURRENT ASSETS	<u>\$ 231,709</u>	<u>\$ 102,203</u>	<u>\$ 333,912</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accrued expenses	\$ 780	\$ 322	\$ 1,102
Due to other funds	278	12,247	12,525
TOTAL CURRENT LIABILITIES	<u>1,058</u>	<u>12,569</u>	<u>13,627</u>
FUND BALANCES:			
Unreserved	<u>230,651</u>	<u>89,634</u>	<u>320,285</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 231,709</u>	<u>\$ 102,203</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

305,564

Net assets of governmental activities

\$ 625,849

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2008

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 85,422	\$ 17,964	\$ 103,386
State revenue	23,656	-	23,656
Charges for services	110	-	110
Interest	5,695	3,587	9,282
Other revenue	30,095	-	30,095
Total revenues	<u>144,978</u>	<u>21,551</u>	<u>166,529</u>
Expenditures:			
General government	32,238	-	32,238
Public safety	11,954	-	11,954
Public works	64,583	6,300	70,883
Recreation and activity center	8,033	9,373	17,406
Other	20,751	-	20,751
Total expenditures	<u>137,559</u>	<u>15,673</u>	<u>153,232</u>
Excess (deficiency) of revenue over expenditures	<u>7,419</u>	<u>5,878</u>	<u>13,297</u>
Fund Balances - Beginning of Year	<u>223,232</u>	<u>83,756</u>	
Fund Balances - End of Year	<u>\$ 230,651</u>	<u>\$ 89,634</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation.

2,143

Change in net assets of governmental activities

\$ 11,154

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
PROPRIETARY FUNDS
BALANCE SHEET

Year Ended March 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 116,326	\$ 51,386	\$ 167,712
Accounts receivable	4,620	9,361	13,981
Total current assets	120,946	60,747	181,693
Restricted cash	15,000	21,016	36,016
Property, plant, and equipment	1,493,995	1,015,947	2,509,942
Accumulated depreciation & amortization	(720,846)	(151,131)	(871,977)
	773,149	864,816	1,637,965
TOTAL ASSETS	\$ 909,095	\$ 946,579	\$ 1,855,674
LIABILITIES:			
Current liabilities:			
Accrued expenses	\$ 80	\$ 290	\$ 370
Due to other funds	9,442	7,050	16,492
Current maturities on long term debt	7,000	4,000	11,000
Total current liabilities	16,522	11,340	27,862
Long-term liabilities:			
Bonds/note payable	159,000	405,000	564,000
TOTAL LIABILITIES	175,522	416,340	591,862
FUND EQUITY:			
Contributed capital	659,485	446,130	1,105,615
Retained earnings:			
Reserved	15,000	21,016	36,016
Unreserved - Undesignated	59,088	63,093	122,181
Total retained earnings	74,088	84,109	158,197
TOTAL FUND EQUITY	733,573	530,239	1,263,812
TOTAL LIABILITIES AND FUND EQUITY	\$ 909,095	\$ 946,579	\$ 1,855,674

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUES:			
Sales and charges for services	\$ 18,574	\$ 37,630	\$ 56,204
Fines, forfeitures, and penalties	-	3,681	3,681
TOTAL OPERATING REVENUES	18,574	41,311	59,885
EXPENSES:			
Salaries, wages, and fringe benefits	2,748	5,044	7,792
Supplies, materials, and other	1,251	2,560	3,811
Repair and maintenance	-	132	132
Utilities	-	9,049	9,049
Other services and support	711	3,446	4,157
Depreciation	28,281	28,261	56,542
TOTAL OPERATING EXPENSES	32,991	48,492	81,483
OPERATING INCOME (LOSS)	(14,417)	(7,181)	(21,598)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	5,209	2,700	7,909
Interest expense	(8,600)	(18,496)	(27,096)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,391)	(15,796)	(19,187)
NET INCOME (LOSS)	(17,808)	(22,977)	(40,785)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	67,976	93,763	161,739
ADJUSTMENTS TO FUND EQUITY:			
Add depreciation on contributed capital fixed assets	23,920	13,323	37,243
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 74,088	\$ 84,109	\$ 158,197

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended March 31, 2008

	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 18,770	\$ 38,079	\$ 56,849
Payments to suppliers	(1,962)	(15,187)	(17,149)
Payments to employees	(3,063)	(5,116)	(8,179)
Receipts (payments) to other funds	(211)	(6,393)	(6,604)
Other receipts (payments)	0	3,681	3,681
Net cash provided by operating activities	<u>13,534</u>	<u>15,064</u>	<u>28,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(6,000)	(4,000)	(10,000)
Interest paid on capital debt	(8,600)	(18,496)	(27,096)
Net cash (used) by capital and related financing activities	<u>(14,600)</u>	<u>(22,496)</u>	<u>(37,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	5,209	2,700	7,909
Net cash provided by investing activities	<u>5,209</u>	<u>2,700</u>	<u>7,909</u>
Net (decrease) in cash and cash equivalents	4,143	(4,732)	(589)
Balances -- beginning of the year	127,183	77,134	204,317
Balances -- end of the year	<u>\$ 131,326</u>	<u>\$ 72,402</u>	<u>\$ 203,728</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (14,417)	\$ (7,181)	\$ (21,598)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	28,281	28,261	56,542
Change in assets and liabilities			
Receivables, net	196	450	646
Due from (to) other funds	(211)	(6,393)	(6,604)
Accrued Expenses	(315)	(73)	(388)
Net cash provided by operating activities	<u>\$ 13,534</u>	<u>\$ 15,064</u>	<u>\$ 28,598</u>

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
March 31, 2008

	<u>Tax Collection Fund</u>
ASSETS:	
Cash	\$ 595
TOTAL ASSETS	<u>\$ 595</u>
LIABILITIES:	
Due to other governmental units	\$ 595
TOTAL LIABILITIES	<u>\$ 595</u>

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008

Rockland Township is located in Ontonagon County, Michigan. The Township operates under an elected Board of Trustees (five members, including the Supervisor, Clerk, Treasurer, and two Trustees) and provides services to a population of approximately 325 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rockland Township, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

Rockland Township is incorporated under the laws of the State of Michigan and operates under an elected board form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. In accordance with NCGA Statements 3 and 7, control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for the sewer and water funds which represents the business-type activity of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Fund financial statements report details information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The following fund types are used by the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following non-major governmental funds: Road and Sidewalk Fund, Recreation Fund and Activity Fund.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

Accrual Method - The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is incurred.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Other Accounting Policies

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the "Bond Requirements" accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time collection is turned over to Ontonagon County for collection.

For the year ended March 31, 2008, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Purpose</u>	<u>Mills</u>
General	Operating	3.9985
Road & Sidewalks	Improvements	0.5
Activity Center	Operating	0.5

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Buildings and additions	20-50 Years
Vehicles and equipment	5-10 Years
Furniture and other	5-10 Years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Township follows the policy of reducing contributed capital in the equipment, water, and sewer fund for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2008, Federal, State and Local contributed capital of \$1,105,615 has been reduced by an aggregate of \$736,462. The current year amortization is \$37,243.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- a. In February, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted by resolution.
- d. The Township Supervisor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General and Special Revenue Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008

NOTE C - CASH AND CASH EQUIVALENTS

Primary Government

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Enterprise Funds	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 299,981	\$ 167,712	\$ 0	\$ 467,693
Restricted cash	0	36,016	595	36,611
Total cash and cash equivalents	\$ 299,981	\$ 203,728	\$ 595	\$ 504,304

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of March 31, 2008, \$216,699 of the Township's bank balance of \$504,756 was exposed to custodial credit risk because it was uninsured and collateralized.

Michigan law authorizes the Township to deposit and invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class Township, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a Township.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a Township. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008

NOTE D - INTERFUND BALANCES

The amounts of interfund balances at March 31, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 27,948	Road & Sidewalks	\$ 11,456
		Water	7,050
		Sewer	9,442
Subtotal	<u>27,948</u>	Subtotal	<u>27,948</u>
Activity Fund	1,069	General	278
		Road & Sidewalks	791
Subtotal	<u>1,069</u>	Subtotal	<u>1,069</u>
TOTALS	<u>\$ 29,017</u>	TOTALS	<u>\$ 29,017</u>

NOTE E - RECEIVABLES

The detail of receivables at March 31, 2008 are as follows:

<u>Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total Primary Government</u>
Accounts	\$ 0	\$ 0	\$ 13,981	\$ 13,981
Taxes	3,926	988	0	4,914
Total receivables	<u>\$ 3,926</u>	<u>\$ 988</u>	<u>\$ 13,981</u>	<u>\$ 18,895</u>

NOTE F - CAPITAL ASSETS

Capital Asset activity of the Township's governmental activities was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 6,000	\$ 0	\$ 0	\$ 6,000
Buildings	242,500	0	0	242,500
Building improvements	76,298	0	0	76,298
Site improvements	86,475	27,950	0	114,425
Vehicles	213,285	0	0	213,285
Subtotal	<u>624,558</u>	<u>\$ 27,950</u>	<u>\$ 0</u>	<u>652,508</u>
Accumulated depreciation:				
Buildings	187,967	\$ 3,117	\$ 0	191,084
Building improvements	20,010	3,636	0	23,646
Site improvements	24,103	5,511	0	29,614
Vehicles	84,771	17,829	0	102,600
Subtotal	<u>316,851</u>	<u>\$ 30,093</u>	<u>\$ 0</u>	<u>346,944</u>
Net capital assets	<u>\$ 307,707</u>			<u>\$ 305,564</u>

Depreciation expense was charged to governmental activities of the Township as follows:

General Fund	\$ 4,085
Activity Center	2,083
Cemetery	667
Fire Protection	20,012
Roads and Sidewalks	1,103
Recreation	2,143
	<u>\$ 30,093</u>

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008

NOTE F - CAPITAL ASSETS (Continued)

The components of property, plant, and equipment in Township proprietary funds at March 31, 2008 are summarized as follows:

SEWER FUND		Beginning	Additions	Deletions	Ending
Land		\$ 7,891	\$ 0	\$ 0	\$ 7,891
Equipment		86,020	0	0	86,020
Vehicles		11,027	0	0	11,027
Utility system		1,389,057	0	0	1,389,057
Subtotal		1,493,995	0	0	1,493,995
Accumulated depreciation:					
Equipment		85,270	\$ 500	\$ 0	85,770
Vehicles		10,000	0	0	10,000
Utility system		597,295	27,781	0	625,076
Subtotal		692,565	28,281	0	720,846
Net capital assets		\$ 801,430			\$ 773,149

WATER FUND		Beginning	Additions	Deletions	Ending
Land		\$ 45,180	\$ 0	\$ 0	\$ 45,180
Equipment		8,304	0	0	8,304
Utility System		962,463	0	0	962,463
Subtotal		1,015,947	0	0	1,015,947
Accumulated depreciation:					
Equipment		3,080	\$ 1,179	\$ 0	4,259
Utility System		119,790	27,082	0	146,872
Subtotal		122,870	28,261	0	151,131
Net capital assets		\$ 893,077			\$ 864,816

NOTE G - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS

SEWER FUND

General Purpose Account

The 1984 Sewer Disposal System Revenue Bond requires that the Township set up a General Purpose Account need not to exceed \$15,000.

WATER FUND

Bond and Interest Redemption Account - Water Supply System Revenue Bonds requires that the Township set aside each quarter on or after April 1, an amount not less than ½ the amount of interest due on the next interest payment and ¼ of the amount of principal due on the next principal payment date.

Bond Reserve Account - Water Supply System Revenue Bonds requires that the Township deposit \$575 per quarter into a bond reserve account to be used for payment on the bonds in the event of default.

Repair, Replacement, and Improvement Account - Water Supply System Revenue Bonds requires that the Township deposit into a repair, replacement, and improvement account (RRI) at least \$1,513 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008

NOTE G - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS (Continued)

At March 31, 2008, the Township had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
SEWER FUND		
General Purpose	\$ 15,000	\$ 15,000
WATER FUND		
Bond and Interest Redemption	\$ 9,646	\$ 88
Bond Reserve	7,475	7,956
Repair, Replacement & Improvement	12,187	12,972
	<u>\$ 29,308</u>	<u>\$ 21,016</u>

NOTE H - LONG-TERM DEBT

ENTERPRISE FUNDS

Sewer Bonds

Revenue bonds payable in the Sewer Fund were issued in 1984 for the purpose of defraying part of the cost of wastewater disposal and sewer improvements in portions of Rockland Township. Repayment of the bonds is being made through sewer hook up fees and monthly charges to users of the sewer system.

Sewage Disposal System Revenue Bonds, were issued for \$240,000 dated March 1, 1984, mature annually as scheduled and bear interest at 5% per annum.

Principal installments of these bonds are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after October 1, 1991, at par and accrued interest to the date fixed for prepayment.

The payment schedule for the bonds is as follows:

<u>Fiscal Year Ending</u>	<u>September 1 Interest</u>	<u>March 1 Interest</u>	<u>March 1 Principal</u>	<u>Total</u>
2008-2009	\$ 4,150	\$ 4,150	\$ 7,000	\$ 15,300
2009-2010	3,975	3,975	7,000	14,950
2010-2011	3,800	3,800	8,000	15,600
2011-2012	3,600	3,600	8,000	15,200
2012-2013	3,400	3,400	8,000	14,800
2013-2014	3,200	3,200	9,000	15,400
2014-2015	2,975	2,975	9,000	14,950
2015-2020	11,150	11,150	55,000	77,300
2020-2024	3,475	3,475	55,000	61,950
TOTAL	<u>\$ 39,725</u>	<u>\$ 39,725</u>	<u>\$ 166,000</u>	<u>\$ 245,450</u>

ROCKLAND TOWNSHIP**NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008****NOTE H - LONG-TERM DEBT (Continued)**Water Bonds

Revenue bonds payable in the Water Fund were issued in 2004 for the purpose of paying part of the cost of improvements and extensions to the water supply system of the Township. Repayment of the bonds is being made through fees and monthly charges to users of the water system.

Water Revenue Bonds, were issued for \$421,000 dated October 13, 2004, mature annually as scheduled and bear interest at 4.5% per annum.

Principal installments of these bonds are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after March 1, 2005, at par and accrued interest to the date fixed for prepayment.

The payment schedule for the bonds is as follows:

<u>Fiscal Year Ending</u>	<u>September 1 Principal</u>	<u>September 1 Interest</u>	<u>March 1 Interest</u>	<u>Total</u>
2008-2009	\$ 4,000	\$ 9,203	\$ 9,202	\$ 22,405
2009-2010	5,000	9,113	9,112	23,225
2010-2011	5,000	9,000	9,000	23,000
2011-2012	5,000	8,888	8,887	22,775
2012-2013	5,000	8,775	8,775	22,550
2013-2014	6,000	8,663	8,662	23,325
2014-2015	6,000	8,528	8,527	23,055
2015-2020	33,000	40,545	40,545	114,090
2020-2025	42,000	36,428	36,427	114,855
2025-2030	51,000	31,343	31,342	113,685
2030-2035	64,000	25,020	25,020	114,040
2035-2040	80,000	17,123	17,122	114,245
2040-2044	103,000	7,313	0	110,313
TOTAL	\$ 409,000	\$ 219,942	\$ 212,621	\$ 841,563

SUMMARY SCHEDULE OF LONG-TERM DEBT

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008-2009	\$ 26,705	\$ 11,000	\$ 37,705
2009-2010	26,175	12,000	38,175
2010-2011	25,600	13,000	38,600
2011-2012	24,975	13,000	37,975
2012-2013	24,350	13,000	37,350
2013-2014	23,725	15,000	38,725
2014-2015	23,005	15,000	38,005
2015-2020	103,390	88,000	191,390
2020-2025	79,805	97,000	176,805
2025-2030	62,685	51,000	113,685
2030-2035	50,040	64,000	114,040
2035-2040	34,245	80,000	114,245
2040-2044	7,313	103,000	110,313
TOTALS	\$ 512,013	\$ 575,000	\$ 1,087,013

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2008

NOTE H - LONG-TERM DEBT (Continued)

The following is a summary of the changes in the long-term debt for the year ended March 31, 2008:

	Balance 03/31/07	Increase	Decrease	Balance 03/31/08	Current Maturities
Sewer Bonds	\$ 173,000	\$ 0	\$ 7,000	\$ 166,000	\$ 7,000
Water Bonds	413,000	0	4,000	409,000	4,000
TOTAL	\$ 586,000	\$ 0	\$ 11,000	\$ 575,000	\$ 11,000

NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2008 is as follows:

	Sewer	Water
Operating Revenues	\$18,574	\$41,311
Depreciation	\$28,281	\$28,261
Operating Income (Loss)	(\$14,417)	(\$7,181)
Non-operating Revenue (Expense)	(\$3,391)	(\$15,796)
Net Income (Loss)	(\$17,808)	(\$22,977)
Property, Plant, and Equipment:		
Additions	\$0	\$0
Deletions	\$0	\$0
Net Working Capital (Deficit)	\$104,424	\$49,407
Total Assets	\$909,095	\$946,579
Total Equity	\$733,573	\$530,239

NOTE J - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its liability workers' compensation and property risk, by participating in Michigan Municipal Risk Management Authority Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its insurance coverage. The Michigan Municipal Risk Management Authority Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ROCKLAND TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ending March 31, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 106,727	\$ 106,727	\$ 121,322	\$ 14,595
State sources	20,000	20,000	23,656	3,656
TOTAL REVENUE	<u>126,727</u>	<u>126,727</u>	<u>144,978</u>	<u>18,251</u>
EXPENDITURES:				
Township Board	4,500	4,500	5,611	(1,111)
Supervisor	5,500	5,500	5,760	(260)
Elections	1,000	1,000	1,248	(248)
Assessor	4,100	4,100	4,038	62
Clerk	6,000	6,000	5,746	254
Board of Review	300	300	323	(23)
Treasurer	8,000	8,000	8,979	(979)
Township Hall	15,000	15,000	14,906	94
Property	35,200	35,200	30,258	4,942
Cemetery	3,500	3,500	23,832	(20,332)
Fire Protection	12,000	12,000	11,954	46
Street Lighting	15,000	15,000	13,737	1,263
Recreation	7,500	7,500	8,033	(533)
Other functions	3,000	3,000	2,601	399
Planning Commission	1,000	1,000	533	467
TOTAL EXPENDITURES	<u>121,600</u>	<u>121,600</u>	<u>137,559</u>	<u>(15,959)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 5,127</u>	<u>\$ 5,127</u>	7,419	<u>\$ 34,210</u>
FUND BALANCE - BEGINNING OF YEAR			<u>223,232</u>	
FUND BALANCE - END OF YEAR			<u>\$ 230,651</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

ROCKLAND TOWNSHIP
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2008

REVENUES:

Property Taxes	\$ 82,780
Administration fees	<u>2,642</u>
State Shared Revenue	<u>23,656</u>
Charges for services	<u>110</u>
Interest	<u>5,695</u>
Other revenue:	
Contributions	22,100
Refunds/reimbursements	153
Miscellaneous	<u>7,842</u>
Total other revenue	<u>30,095</u>
TOTAL REVENUES	<u>144,978</u>

EXPENDITURES:

General Government:	
Township Board:	
Salaries, wages, and fringe benefits	1,500
Supplies, materials, and other	1,356
Other services and support	<u>2,755</u>
Total board/council/legislative	<u>5,611</u>
Supervisor:	
Salaries, wages, and fringe benefits	<u>5,760</u>
Total supervisor	<u>5,760</u>
Clerk:	
Salaries, wages, and fringe benefits	5,623
Supplies, materials, and other	<u>123</u>
Total clerk	<u>5,746</u>
Treasurer:	
Salaries, wages, and fringe benefits	5,280
Supplies, materials, and other	453
Other services and support	<u>3,246</u>
Total treasurer	<u>8,979</u>
Elections:	
Supplies, materials, and other	112
Other services and support	<u>1,136</u>
Total elections	<u>1,248</u>
Assessor:	
Salaries, wages, and fringe benefits	3,597
Supplies, materials, and other	<u>441</u>
Total assessor	<u>4,038</u>
Planning Commission	<u>533</u>

ROCKLAND TOWNSHIP
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2008

Board of Review	<u>323</u>
Total general government	<u>32,238</u>
Township Hall:	
Salaries, wages, and fringe benefits	1,375
Supplies, materials, and other	6,615
Utilities	3,743
Other services and support	<u>3,173</u>
Total township hall	<u>14,906</u>
Township Property:	
Salaries, wages, and fringe benefits	5,097
Supplies, materials, and other	7,362
Utilities	<u>1,831</u>
Total township property	<u>14,290</u>
Fire Protection:	
Supplies, materials, and other	8,583
Utilities	1,015
Other services and support	<u>2,356</u>
Total fire protection	<u>11,954</u>
Cemetery:	
Supplies, materials, and other	2,182
Capital outlay	<u>21,650</u>
Total cemetery	<u>23,832</u>
Street lighting	<u>13,737</u>
Recreation:	
Repairs and maintenance	990
Utilities	<u>7,043</u>
Total recreation and culture	<u>8,033</u>
Other:	
Insurance and fringe benefits	<u>18,569</u>
TOTAL EXPENDITURES	<u>137,559</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>7,419</u>
FUND BALANCE, BEGINNING OF YEAR	<u>223,232</u>
FUND BALANCE, END OF YEAR	<u>\$ 230,651</u>

ROCKLAND TOWNSHIP
SPECIAL REVENUE FUNDS
BALANCE SHEETS
March 31, 2008

	<u>Roads & Sidewalks</u>		<u>Recreation</u>	<u>Activity Center</u>	<u>Totals (Memorandum Only) 2008</u>
ASSETS:					
Cash and cash equivalents	\$ 84,814	\$ 7,058	\$ 8,274	\$ 100,146	
Taxes receivable	494	-	494	988	
Due from other funds	-	-	1,069	1,069	
Total assets	<u>\$ 85,308</u>	<u>\$ 7,058</u>	<u>\$ 9,837</u>	<u>\$ 102,203</u>	
LIABILITIES:					
Accrued expenses	\$ -	\$ -	\$ 322	\$ 322	
Due to other funds	12,247	-	-	12,247	
Total liabilities	<u>12,247</u>	<u>-</u>	<u>322</u>	<u>12,569</u>	
FUND EQUITY:					
Fund Balance - Unreserved	<u>73,061</u>	<u>7,058</u>	<u>9,515</u>	<u>89,634</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 85,308</u>	<u>\$ 7,058</u>	<u>\$ 9,837</u>	<u>\$ 102,203</u>	

ROCKLAND TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

March 31, 2008

	Roads & Sidewalks	Recreation	Activity Center	Totals (Memorandum Only) 2008
REVENUES:				
Current taxes	\$ 8,982	\$ -	\$ 8,982	\$ 17,964
Interest	2,994	259	334	3,587
Total revenues	11,976	259	9,316	21,551
EXPENDITURES:				
Salaries, wages, and fringe benefits	-	-	9,373	9,373
Supplies, materials, and other	6,300	-	-	6,300
Total expenditures	6,300	-	9,373	15,673
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,676	259	(57)	5,878
FUND BALANCE, BEGINNING OF YEAR	67,385	6,799	9,572	83,756
FUND BALANCE, END OF YEAR	\$ 73,061	\$ 7,058	\$ 9,515	\$ 89,634



Bruce A Rukkila, CPA, PC

Full Service Accounting Firm
for the Western Upper Peninsula

310 Shelden Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Members of the Township Board
Rockland Township
Ontonagon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockland Township as of and for the year then ended March 31, 2008 which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 through 2008-5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Rockland Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2008-1 through 2008-5.

We noted certain matters that we reported to management of Rockland Township in a separate letter dated September 25, 2008.

Rockland Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Rockland Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

September 25, 2008

ROCKLAND TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2008

2008-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition: As is the case with many small entities, Rockland Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, Rockland Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the Township personnel, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for Rockland Township to perform this task internally.

Effect: As a result of this condition, Rockland Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: Rockland Township has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of Rockland Township to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

2008-2 – Capital Assets Records Maintained by the Auditor

Criteria: Purchases, additions, disposals, and sale of assets must have prior approval from the appropriate officials. In addition, the financial statements must accurately report all capital assets and accumulated depreciation along with capital expenditures and depreciation expense.

Condition: The Township has relied on its external auditor to maintain and update capital assets for the Township.

Cause: Due to the lack of knowledge, expertise and education relative to computing depreciation, management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for Township to perform this task internally.

Effect: The Township has relied on external auditor to update the capital asset listing for any new acquisitions or disposals and updating depreciation in conformity with policies set by the Township.

View of Responsible Officials: A copy of the capital asset information will be provided to the Township, which will allow the Township to assume this responsibility in the future.

ROCKLAND TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2008

2008-3 - Segregation of Duties

Criteria: As stated in the *Accounting Procedures Manual for Local Units of Government in Michigan*, the functions of authorizations, record keeping, and custody of assets should be segregated where possible. Specifically, we would recommend that the Township consider some of the following procedures:

- ▶ Bank statements could be received by someone other than the clerk/treasurer, opened, inspected, and then provided to the clerk/treasurer to perform the reconciliation function; the reconciliation could subsequently be initialed by a second individual after it is complete.
- ▶ Bank wire transfers could be written and approved by a second individual.

Cause, Condition and Effect: Limited staff size creates instances in which conflicting duties are performed by one individual. The Township relies on its Clerk/Treasurer for its general ledger accounting functions.

View of Responsible Officials: The Township understands it needs to be aware of this situation and maintain oversight of its financial records.

2008-4 – Adjustments Proposed by the Auditor

Criteria: The Township is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: The Auditor identified journal entries that were posted to the Township's financial records during the audit. The entries were needed to adjust year-end balances to be in conformity with generally accepted accounting principles.

Effect: We are pleased to assist in adjusting the Township's general ledger, but are also required to communicate our part in completing the Township's accounting records. A number of these journal entries are related to property taxes, intergovernmental activities, accounts payable, accounts receivable, and items required for the full-accrual presentation of the government-wide financial statements.

View of Responsible Officials: The Township will ensure all general ledger accounts and are reconciled on a timely basis with review and approval by the Supervisor.

2008-5 – Budget

Criteria: According to the *Uniform Budgeting Act, P.A. 621 of 1978*, the State of Michigan requires the Township to adopt a budget for all funds except for trust or agency, internal services, enterprise, debt service, or capital project funds.

Condition: During the year ended March 31, 2008, the Township did not adopted budgets for the Recreation and the Activity Center Funds.

Cause: Lack of accounting knowledge regarding budget requirements.

Effect: No approval on an adopted budget for the above mentioned funds.

View of Responsible Officials: The Township will add budgets for the Recreation and Activity Center funds in their budget process.



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

September 25, 2008

Members of the Township Board
Rockland Township
Rockland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockland Township for the year ended March 31, 2008, and have issued our report thereon dated September 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Rockland Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Rockland Township's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rockland Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by Rockland Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is current judgments. Management's estimate of the useful lives of capital assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Rockland Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Rockland Township Board and is not intended to be and should not be used for any other purpose.

It has been a pleasure to provide audit services to Rockland Township. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Very truly yours,

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

In planning and performing our audit of the financial statements of Rockland Township, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Rockland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

2008-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition: As is the case with many small entities, Rockland Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, Rockland Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the Township personnel, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for Rockland Township to perform this task internally.

Effect: As a result of this condition, Rockland Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: Rockland Township has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of Rockland Township to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

2008-2 – Capital Assets Records Maintained by the Auditor

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Condition: The Township has relied on its external auditor to maintain and update capital assets for the Township.

Cause: Due to the lack of knowledge, expertise and education relative to computing depreciation, management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for Township to perform this task internally.

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Cause: Lack of accounting knowledge regarding budget requirements.

Effect: No approval on an adopted budget for the above mentioned funds.

View of Responsible Officials: The Township will add budgets for the Recreation and Activity Center funds in their budget process.

ADDITIONAL COMMENTS AND RECOMMENDATIONS

During our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any addition study of these matters, or to assist you in implementing the recommendations.

Bond Reserve Requirements

The ordinances authorizing issuance of Water Supply System Revenue Bonds requires that specific accounts be established with required funded amounts. It was noted during the audit that the Township did not fund all of the accounts with the required balances. We recommend the accounts be funded with the required balances.

Expenditures

In order to keep the Township's management informed regarding State of Michigan regulations, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). We recommend that the Township's management familiarize themselves with this list in order to prevent the potential for illegal or unauthorized expenditures of the Township's funds.

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expense for a person injured on government property
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.
- Presents to officials and employees or retirement recognition events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residence to the Township.
- Extra compensation unless for part of the initial salary resolution or authorized under statutory procedures for an increase in salary.

Computer Backups

We suggest backups for all software programs be done, at the minimum, weekly and kept offsite. It's important that the Township maintain reliable systems that include appropriate data backup and recovery processes.

Journal Entries

Journal entries comprise part of the general ledger postings, along with cash receipts, accounts payable, and payroll transactions. Presently, there is no review of journal entries prepared by the clerk. In order to enhance the internal controls in this area, we recommend that journal entries be approved either individually or in batches by a person independent of the preparer.

Reference

It was noted during the course of the audit that the Township does not refer to the *State of Michigan - Accounting Procedures Manual for Local Units of Government in Michigan* or the *Michigan Department of Treasury's Uniform Budget Manual* as sources of reference and information. As a result, the concept of internal controls is not entirely understood by everyone at the Township. A copy of these manuals will be provided to the Township and it can be found on the State of Michigan Treasury's web site <http://www.michigan.gov/treasury> at the Local Government Services/Accounting Information/Bulletins, Manuals & Forms. It is recommended that these reference material be reviewed and referred to in the Township's accounting procedures.

Budget Review

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report, there were instances of spending amounts greater than budgeted.

We recommend that the Council carefully review its actual revenue and expenditures to budgeted amounts at least quarterly. Amendments to the budget should be made after reviewing all financial information.